WORKING CAPITAL FUND

FY 2001 First Quarter Report: Summary

I. Relation of Earnings to Expenses

$ Each business is expected to achieve a balance between annual ›earnings: (billings to customers pursuant to Board-approved pricing policies) and ›expenses: (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.

$ Overall, the Fund broke even in the first quarter of FY 2001. (Table I).

WORKING CAPITAL FUND			
FY 2001 First Quarter Business Results (in Millions)			
TABLE I			
Business Line	**First Quarter Earnings**	**First Quarter Business Expenses**	**First Quarter Net**
Supplies	$0.6	$0.5	$0.1
Mail	$0.5	$0.4	$0.1
Copying	$0.6	$0.5	$0.1
Printing/Graphics	$0.9	$0.8	$0.1
Building Occupancy	$13.6	$13.6	$0.0
Telephones	$1.5	$1.5	$0.0
Desktop	$0.3	$0.4	($0.1)
Network	$1.6	$1.6	$0.0
Contract Closeout	$0.2	$0.1	$0.1
Payroll & Personnel	$0.8	$0.8	$0.0
TOTAL	**$20.6**	**$20.2**	**$0.4**

$ Specific differences in excess of $50,000 are as follows:

- Supply Business Line has net earnings of $121 k in the first quarter that are the result of drawing down inventory in preparation of the transition to a new service provider.

- The Mail Business Line has net earnings of $78 k in the first quarter that are the result of one-time prior year adjustments to accruals.

- The Copy Business Line has net earnings of $122 k in the first quarter that are the result of one-time prior year adjustments to accruals.

- The Printing and Graphics Business Line has net earnings of $61 k in the first quarter that are the result of one-time prior year adjustments to accruals.

- The Desktop Business Line has costs in excess of earnings in the first quarter of -$90 k. This performance resulted from fixed costs in IT training that exceeded the business's ability to generated adequate revenues.

- The Contract Closeout Business Line has net earnings of $96 k. This performance is consistent with past years. Higher costs related to contract closeouts performed during the second half of FY 2001 will offset the current net earnings. The business is expected to break even for the year.

- It now appears that FY 2000 business expenses for telephone, desktop, and network were overstated. When over-accruals are reversed in the second quarter of FY 2001 there will be an appearance of positive net earnings for these businesses. Because these businesses have virtually no financial balances, the net earnings will not impact current pricing policies.

II. Relation of Customer Payments to Anticipated Customer Billings

- Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund.

- By December, we had collected $66.3 million (79%) of the estimated $84.2 million in FY 2001 annual revenues. (Table II) These amounts can be compared to $60 million (74%) of the estimated $81.7 million in FY 2000 annual revenues last year at this time.

WORKING CAPITAL FUND			
FY 2001 First Quarter Business Results (in Millions)			
TABLE II			
Business Line	**Advances as of First Quarter** (includung carryover)	**Anticipated Full Year**	**% Collected**
Supplies	$ 2.8	$ 2.8	100%
Mail	$ 1.8	$ 1.8	100%
Copying	$ 2.5	$ 2.5	100%
Printing/Graphics	$ 2.4	$ 3.5	69%
Building Occupancy	$ 42.5	$ 55.1	77%
Telephones	$ 5.7	$ 6.9	83%
Desktop	$ 1.2	$ 1.4	86%
Network	$ 4.7	$ 6.4	73%
Contract Closeout	$ 0.6	$ 0.7	86%
Payroll & Personnel	$ 2.1	$ 3.1	68%
TOTAL	**$ 66.3**	**$ 84.2**	**79%**

- During the early stages of the FY 2001 Second Quarter we received significant additions to customer advances and anticipate no difficulties arranging for the remaining advances.

III. Relation of Payments to Obligations by Business Line

- There have been no violations of administrative control of funds procedures by WCF business lines.

- As shown in Table III, funds available exceeded obligations by an estimated $47 million by the end of the first quarter. The rate of obligation is on track with annualized estimates.

WORKING CAPITAL FUND					
FY 2001 First Quarter Business Results (in Millions)					
TABLE III					
Business Line	**Unobligated Balance 1 10/00**	**Current Year Customer Advances**	**Total available for obligation**	**First Quarter Obligations**	**Advances Remaining to be Obligated**
Supplies	$0.9	$1.9	$ 2.8	$0.3	$2.5
Mail	$0.7	$1.1	$ 1.8	$0.5	$1.3
Copying	$1.2	$1.3	$ 2.5	$0.2	$2.3
Printing/Graphics	$0.2	$2.2	$ 2.4	$0.2	$2.2
Building Occupancy	$0.4	$42.1	$ 42.5	$12.6	$29.9
Telephones	$0.8	$4.9	$ 5.7	$3.0	$2.7
Desktop	$0.2	$1.0	$ 1.2	$0.7	$0.5
Network	$0.3	$4.4	$ 4.7	$1.6	$3.1
Contract Closeout	$0.2	$0.4	$ 0.6	$0.2	$0.4
Payroll & Personnel	$0.0	$2.1	$ 2.1	-$0.1	$2.2
TOTAL	**$4.9**	**$61.4**	**$ 66.3**	**$19.2**	**$47.1**

1 Carryover balances of $2.2 million exist in other than business accounts at the discretion of the program customers. These funds often act as working capital during the early weeks of a new fiscal year. These balances represent a liability of the fund and like other unearned customer advances, are uncommitted and can be returned to the customer at their request.

IV. Changes in Budget Estimates by Business Line and Customer

$ The $3 million decrease in the December 1999 estimate was the result of rent decreases offset by DOENet charges added during the FY 2002 Corporate Review and $0.9 million building alteration charges experienced during FY 2001 execution. Except for these differences, aggregate estimates, as set forth in the table below, have changed little.

FY 2001 Budget Estimates for WCF Businesses		
Date	Process	FY 2001 Billing Estimate ($Millions)
May 1999	FY 2001 Corporate Review	$83.6
December 1999	FY 2001 Congressional Budget	$80.2
May 1999	FY 2002 Corporate Review	$83.3
December 2000	FY 2002 Congressional Budget	$83.9
February 2001	January WCF Bill	$84.6

V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

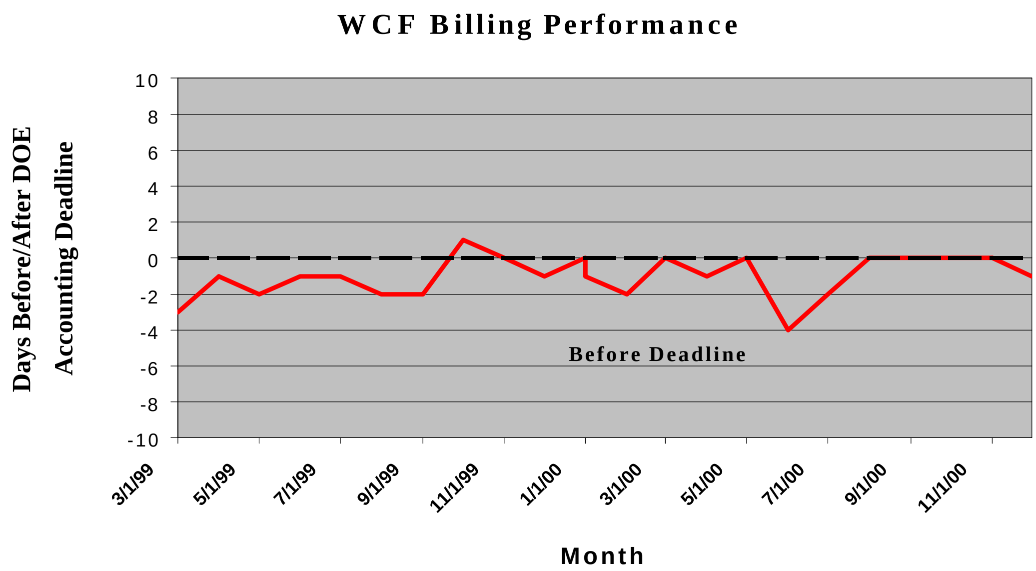
- The Supply Business Line will transition to National Institutes of the Blind services in late March. The method for accumulating contractor costs will change slightly, but should be transparent to the programs.

- The Desktop Business Line, specifically the IT training and hardware maintenance segments, continue to have difficulty earning sufficient revenue to offset fixed costs. The IT Working Group will consider options to reduce fixed costs and put the business on sound financial footing. We expect to have a recommendation to present to the Board in the second quarter report. In the short run the business will take measures to reduce costs without impacting the service expected from WCF customers.

VI. Financial Management Systems Progress

Working Capital Fund Billing System

$ The Working Capital Fund billing system continues to perform well, and all three monthly bills in the first quarter met the DISCAS cutoff dates. The following table presents the overall progress of the billing system in terms of timeliness.



$ The publication of the FY 2001 ABlue Book@ has been delayed, but is expected to occur later in April. Most WCF pricing policies are unchanged since the FY 2000 ABlue Book@ was issued, and customers have been alerted to changes, for example DOENet, in monthly billing memoranda and other media. Customers may access the ABlue Book@ in electronic form on the WCF Home Page at www.hr.doe.gov/wcf.